

Earned Income Tax Credit Information

What is the Earned Income Tax Credit (EITC)? The Earned Income Tax Credit or the EITC is a refundable federal income tax credit for low to moderate income working individuals and families. The amount of the credit is based on income, filing status and number of qualifying children, if any. A tax credit reduces the amount of tax you owe. The EITC may also give you a refund. The EITC has no effect on certain welfare benefits

For tax year 2008, the number of Vermont net EITC recipients was 40,962 people. The average net EITC amount was \$1,631.10 per Vermonter, and the total net EITC amount throughout Vermont was \$66,812,970.00.

If a taxpayer is eligible for EITC on his/her federal tax return, do not forget about EITC on the state tax return as taxpayers are eligible for an additional 32% of the federal EITC amount on the state tax return.

To qualify, taxpayers must meet all of the following rules:

- Must **file a tax return**, even if they did not earn enough money to be obligated to file a tax return
- Must have a valid **social security** number.
- Must have **earned income** from employment or self-employment.
- Filing status cannot be **married filing separately**.
- Must be a **U.S. citizen** or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return.
- **Cannot** be a **qualifying child** of another person.
- If no qualifying children, taxpayer must:
 - be age 25 but under 65 at the end of the year,
 - live in the United States for more than half the year, and
 - not qualify as a dependent of another person
- **Cannot file Form 2555 or 2555-EZ** (related to foreign earned income)
- Must **meet the EITC income thresholds** and limitations
- **Investment income** must be **\$3,100** or less for the year.

Earned Income Threshold Requirement:

Earned Income and adjusted gross income (AGI) must be at least \$1 and less than:

- \$43,279 (\$48,279 married filing jointly) with three or more qualifying children.
- \$40,295 (\$45,295 married filing jointly) with two qualifying children.
- \$35,463 (\$40,463 married filing jointly) with one qualifying child.
- \$13,440 (\$18,440 married filing jointly) with no qualifying children.

Earned income includes all the taxable income and wages you get from working.

- Wages, salaries, and tips;
- Union strike benefits;
- Long-term disability benefits received prior to minimum retirement age;
- Net earnings from self-employment.

Tax Year 2009 maximum credit amount:

- \$5,657 with three or more qualifying children
- \$5,028 with two qualifying children
- \$3,043 with one qualifying child
- \$457 with no qualifying children

Qualifying Child: If the taxpayer is using a qualifying child to meet the threshold limits, the child must meet the relationship, age, and residency test:

Relationship Test – The taxpayer’s child must be his/her:

- Son, daughter, stepchild, eligible foster child, adopted child or a descendant (for example, your grandchild) of any of them, including adopted and foster children, or
- Brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew).

Age Test - The child must be:

1. Under age 19 at the end of the year and younger than the taxpayer or spouse if filing a joint return,
2. A full-time student under age 24 at the end of the year and younger than the taxpayer or spouse if filing a joint return, or
3. Permanently and totally disabled at any time during the year, regardless of age.

Residency Test - The child must have lived with the taxpayer in the United States for more than half of the year.

To find out more about the qualifications for EITC, call 1-800-829-1040 or visit the Internal Revenue Service website at: www.irs.gov. Additional state information is available at 1-866-828-2865 or on the Vermont State Tax Department website at: www.state.vt.us/tax.

In addition, if you qualify for EITC, you may be eligible for food stamps. To apply for food stamps or for more food stamp information, contact the Department of Children and Families (DCF) at 1-800-287-0589 or go to: www.vermontfoodhelp.com.

Advanced Earned Income Tax Credit: The taxpayer may prefer to get some of next year’s EITC throughout the year, rather than wait and get EITC after he/she files his/her tax return. To get EITC, complete Form W-5 and give the lower part of the form to the employer. Keep the top part for your records. The **maximum Advance EITC** workers can receive from their employers is \$1,826.